MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022 / 2023 SESSION

DEC5024 – MACROECONOMICS

(Diploma Students Only)

10th JULY 2023
2:30 p.m. – 4:30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 12 pages with 2 sections.
2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.
3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: Multiple Choice Questions

1. Which of the following is **NOT** one of the concern of macroeconomics?
   A. Aggregate output for Malaysia in the past 5 years
   B. Malaysia's rate of inflation in January slowed to 3.7% as price growth in the country remained on a downtrend that began in October 2022.
   C. Juru Malaysia Sdn. Bhd. shut down their operations in Klang.
   D. Malaysia's unemployment rate is expected to continue to fall this year as the country's transition to endemicity.

2. Uncle Jim was a purchasing officer in Melaka State Government office, he retired 2 years ago. Uncle Jim is still receiving monthly pension funds until now. The pension funds that he received is an example of _____.
   A. microeconomics
   B. macroeconomics
   C. transfer payment
   D. employee provident fund (EPF)

3. Which of the following is an example of non-durable goods?
   A. Nike Sports Shoes
   B. Fried Rice
   C. Honda CRV
   D. Vending machine

4. A prolonged and deep recession is called _____.
   A. depression
   B. peak
   C. inflation
   D. expansion

5. In goods and services market, households _____.
   A. neither demand nor supply
   B. only supply
   C. only demand
   D. both supply and demand

6. Unemployment rate generally _____ during peak and _____ during recession.
   A. at the lowest level; increase
   B. at the highest level; decrease
   C. increases; increases
   D. decreases; decreases

Continued...

7. _____ is the total market value of all final goods and services produced within a given period by factors of production owned by a country's citizens, regardless of where the output is produced.
   A. Gross domestic product (GDP)
   B. Gross national product (GNP)
   C. National income
   D. Net factor income

8. _____ is not counted in current GDP because it was already counted when it was produced.
   A. Secondhand goods
   B. Newly produced goods
   C. Investment
   D. Capital goods

9. _____ is any commodity or token that is generally acceptable as a means of payment.
   A. Credit card
   B. Debit card
   C. Money
   D. Loans

10. _____ is the central bank of Malaysia.
   A. Bank Simpanan Nasional
   B. Bank Rakyat
   C. Bank Negara Malaysia
   D. Maybank

11. Hasanal is attaching price tags on all the newly arrival products. Attached price tags on the product is an example of money serves as a(n) _____.
   A. medium of exchange
   B. store of value
   C. long term investment plan
   D. unit of account

12. You deposited RM4,000 in your saving account and the bank held 20 percent of your deposit as reserves. At this stage, the bank will be able to create _____.
   A. RM3,200 of new loan
   B. RM1,600 of new loan
   C. RM800 of new loan
   D. RM200 of new loan

Continued...

Assets		Liabilities	
Reserves	RM50	Deposits	RM1,000
Loans	RM950		
Total	**RM1,000**	**Total**	**RM1,000**

Table 1

13. Table 1 shows the initial balance sheet for Premium Bank. Premium Bank holds no excess reserves. Based on the initial balance sheet, what is the required reserve ratio for Premium Bank?
    A. 3%
    B. 5%
    C. 10%
    D. 15%

14. The major role of a _____ is to receive deposits and make loans.
    A. central bank
    B. commercial bank
    C. government
    D. finance company

15. _____ is an institution designed to oversee the banking system and regulate the quantity of money in the economy.
    A. Finance company
    B. Commercial bank
    C. Maybank
    D. Central bank

16. If the money multiplier is 4, the required reserve ratio is _____
    A. 12.5%
    B. 15%
    C. 20%
    D. 25%

17. The aggregate demand curve shows a _____ relationship between _____ and aggregate output _____.
    A. positive; the interest rate; demanded
    B. negative; the price level; demanded
    C. positive; the price level; demanded
    D. negative; the price level; supplied

Continued...

18. A decrease in government purchases shifts the _____ curve to the _____.
    A. aggregate demand; right
    B. aggregate demand; left
    C. aggregate supply; right
    D. aggregate supply; left

19. _____ refers to a period of revival leading of an upturn of economy. The economy's level of output and employment expands towards full employment during this phase.
    A. Depression
    B. Inflation
    C. Economic growth
    D. Recovery

20. "The Domestic Trade and Cost of Living Ministry will announce the 30 items to be placed under the Festive Season Maximum Price Scheme (SHMMP) in conjunction with the Hari Raya Aidilfitri celebration on April 13, 2023". The purpose of SHMMP is most likely to prevent _____ during festive season.
    A. oversupply
    B. economic growth
    C. recession
    D. demand pull inflation

21. An economic condition characterised by high unemployment and excessive inflation is called _____.
    A. recessionary downturn
    B. expansionary growth
    C. depression
    D. stagflation

22. A movement down the aggregate supply curve is caused by a(n) _____.
    A. decrease in aggregate supply
    B. increase in aggregate supply
    C. decrease in the price level
    D. increase in the price level

23. The legal age to be at work force is _____ in Malaysia.
    A. 13 years old and above
    B. 16 years old and above
    C. 18 years old and above
    D. 21 years old and above

Continued...

24. Ms. Lim has decided to quit her job and being a full time mother, the labour force participation rate _____.
    A. increases
    B. decreases
    C. remained the same
    D. may increase or decrease, depends on the length she stays at home

25. Mr. Faizal resigned from his company and looking for a better opportunity in Kuala Lumpur, this is an example of _____.
    A. frictional unemployment
    B. structural unemployment
    C. cyclical unemployment
    D. natural unemployment

26. Which of the following unemployment most likely to increase during recession?
    A. Cyclical unemployment
    B. Frictional unemployment
    C. Structural unemployment
    D. Natural unemployment

Question 27 to 29 refers to Table 2:

Category	Number of people
Above 16 years old but not in labour force	4,500
Employed	18,500
Unemployed	2,000

Table 2

27. The labour force equals to _____ people.
    A. 2,000
    B. 4,500
    C. 6,500
    D. 20,500

28. The unemployment rate is _____.
    A. 5.43%
    B. 8.96%
    C. 9.76%
    D. 10.81%

29. The labour force participation rate is _____.
    A. 65%
    B. 70%
    C. 78%
    D. 82%

Continued...

Question 30 to 33 refers to Figure 1:

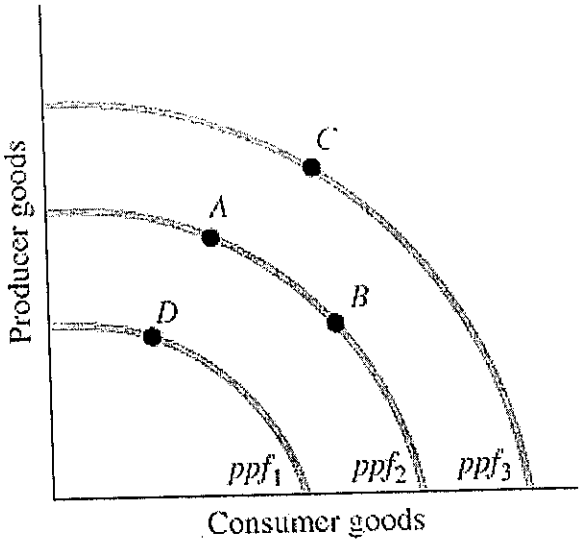

Figure 1

30. Economic growth is represented by _____.
    A. a movement from Point B to Point C
    B. a movement from Point A to Point B
    C. a movement from Point B to Point A
    D. a shift in the production possibilities frontier from *ppf*2 to *ppf*1

31. Which of the following causes the *ppf* to shift from *ppf*2 to *ppf*3?
    A. A decrease in capital stock
    B. A decrease in the labour force
    C. A decrease in the population
    D. Technological progress

32. An economic decline is represented by a movement from _____.
    A. point A to point B
    B. point C to point A
    C. point B to point C
    D. point D to point A

33. A decrease in the labour force will cause a _____.
    A. movement from Point A to Point B
    B. shift from *ppf*2 to *ppf*1
    C. shift from *ppf*2 to *ppf*3
    D. movement from Point B to Point A

Continued...

34. _____ is defined as the growth rate of output for the entire economy.
    A. Labour productivity
    B. Human capital
    C. Embodied technical change
    D. Output growth

35. For economic growth to increase living standards, _____.
    A. society must acquire more resources
    B. the choices available to consumers must increase
    C. society must discover ways of using available resources more efficiently
    D. the rate of growth must exceed the rate of population increase

36. The aggregate production function is $Y = 2KL$. If there are 30 units of capital and 40 units of labour, aggregate output is _____.
    A. 1,200 units
    B. 2,400 units
    C. 3,600 units
    D. 4,200 units

37. With a fixed amount of capital, 300 workers produce 9,000 cars. The average labour productivity is _____.
    A. 30
    B. 27
    C. 3
    D. 0.03

38. _____ is the price of one country's currency in terms of another country's currency.
    A. Balance of trade
    B. Terms of trade
    C. Currency valuation
    D. Exchange rate

39. The _____ is the market in which the currency of one country is exchanged for the currency of another.
    A. labour market
    B. money market
    C. goods and services market
    D. foreign exchange market

Continued...

40. On 6th May 2022, Neesa bought SGD10 for MYR45. After 3 weeks, she exchanged the SGD10 and received MYR42. Which currency appreciates and depreciates?
    A. Both RM and SGD appreciate
    B. Both RM and SGD depreciate.
    C. RM appreciate and SGD depreciate
    D. RM depreciate and SGD appreciate.

[TOTAL 40 MARKS]

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SECTION B: Structured Questions (60 Marks)

QUESTION 1

Italian firms to invest RM3.25bil in Malaysia?

"KUALA LUMPUR: Several Italian companies have expressed interest to invest in Malaysia, given the country's strategic position as a gateway to Asean and Asia Pacific, said the Malaysian Investment Development Authority (MIDA).

As of September 2022, a total of 77 manufacturing projects with Italian participation have been implemented with total investments of US$382 million (RM1.4 billion), creating 4,346 job opportunities. "MIDA is set to double efforts to pave the way for foreign investors to make Malaysia its investment hub. This includes investors from Italy, who were recently apprised of future Malaysia-Italy business opportunities and strategic collaborations, particularly in fields such as the chemical industry, green technologies, e-economy, smart technologies and IR4.0 value chains recently," it said.....

"From the FDI standpoint, our country is already recognised for its strategic location in Southeast Asia, diversified industry ecosystem and qualified talent pool. What is key now is to address all the pain points in the investors' journey, in an effort to improve the overall ease of doing business in Malaysia," said Tengku Zafrul.

...."As a vibrant industrialising and services-oriented nation, Malaysia has geared into the next level of development as our economy becomes more diversified to cater to new growth areas. MIDA continues to welcome high-quality foreign direct investments from around the world, including from Italy.

"These investments assume an important role in the development of Malaysia due to its multiplier impact on the economy and will continue to do so in the post- pandemic era," Arham said.

"As one of the countries that has created many world class hi-tech companies globally, Italy is able to offer many latest technologies and digitalisation expertise. Hence, the presence of Italian companies in Malaysia is seen as vital to facilitate the transfer of technology to create more Malaysian knowledge workers," MIDA said.

"Italy's emerging green technologies are also critical to support Malaysia's long-term strategic objective of attracting investments with environmental, social and governance considerations, in alignment with the country's New Investment Policy," it added....."

Source: 24 January 2023, https://www.nst.com.my/business/2023/01/873017/italian-firms-invest-rm325bil-malaysia

Continued...

(a) Based on the above article,

(i) Identify **THREE (3)** reasons why foreign investors chosen to invest in Malaysia. (3 marks)

(ii) "As of September 2022, a total of 77 manufacturing projects with Italian participation have been implemented with total investments of US$382 million (RM1.4 billion), creating 4,346 job opportunities". State if the RM1.4 billion should be included in Malaysia Gross Domestic Production or not. Explain your answer. (3 marks)

(iii) Identify **TWO (2)** benefits that Malaysia could gain from this investment. (2 marks)

(b) Apart from the answer (a) (iii) above, explain **FOUR (4)** impacts towards the economy of Malaysia if the above investment is successful. (8 marks)

Year	Nominal GDP	GDP Deflator
2021	RM276 million	120
2022	RM207 million	115

Table 3

(c) Based on the data from Table 3, compute Real GDP for Year 2021 and 2022. (4 marks)

[TOTAL 20 MARKS]

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QUESTION 2

Income (RM)	Consumption (RM)	Saving (RM)	Marginal Propensity to Consume (MPC)
340	i.	-4	-
360	ii.	0	vi.
380	iii.	4	vii.
400	iv.	8	viii.
420	v.	11	ix.

Table 4

(a) Based on the information from Table 4, compute consumption and MPC for each level of income. (9 marks)

RM Billion		
Aggregate Output (Y)	**Aggregate Consumption (C)**	**Planned Investment (I)**
150	210	10
250	270	10
350	390	10
450	450	10
550	540	10

Table 5

(b) Based on the information from Table 5,

(i) Calculate the planned aggregate expenditure at aggregate output level of RM250 billion. (3 marks)

(ii) Calculate aggregate saving at aggregate output level of RM450 billion. (3 marks)

(iii) Calculate the unplanned inventory change at an aggregate output level of RM150 billion. (3 marks)

(iv) Identify level of aggregate output when equilibrium is achieved. (2 marks)

[TOTAL 20 MARKS]

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QUESTION 3

"Sabah needs diverse human capital to boost the State's economic growth as part of the Sabah Maju Jaya (SMJ) development plan, said the Chief Minister Datuk Seri Hajiji Mohd Noor."

Source: 1 Feb 2023, "https://www.dailyexpress.com.my/news/206749/diverse-human-capital-needed-

(a) Based on the above statement, suggest the role of individuals, firms and state government of Sabah in supporting SMJ development plan by increasing the quality of labor supply. (6 marks)

(b) Apart from human capital, suggest **TWO (2)** sources that could be sources of economic growth. Explain your answer with example (4 marks)

Items	RM (million)
Transfer income	210
Transfer payments	100
Exports of services	970
Imports of services	425
Goods exports	1,890
Goods imports	4,230
Investment income	805
Investment payments	512

Table 6

(c) Based on Table 6, calculate:

i. Balance on trade (3 marks)

ii. Balance on current account (3 marks)

iii. Balance of payment given that changes in official reserve is RM350 million and statistically discrepancy is RM420 million (4 marks)

[TOTAL 20 MARKS]

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